

## 5. USER FEES AND OTHER COLLECTIONS

In addition to collecting taxes and other receipts by the exercise of its sovereign powers, which is discussed in the previous chapter, the Federal Government collects income from the public from market-oriented activities and the financing of regulatory expenses. Some of these collections are classified as user fees, which include the sale of postage stamps and electricity, fees for admittance to national parks, and premiums for deposit insurance; and some are other offsetting collections or receipts, such as rents and royalties for the right to extract oil from the Outer Continental Shelf.

Depending on the laws that authorize the collections, the collections can be credited directly to expenditure accounts as “offsetting collections,” or to receipt accounts as “offsetting receipts.” Usually offsetting collections are authorized to be spent for the purposes of the account without further action by the Congress. Offsetting receipts may or may not be earmarked for a specific purpose, depending on the legislation that authorizes them, and the authorizing legislation may either authorize them to be spent without further action by the Congress, or require them to be appropriated in annual appropriations acts before they can be spent.

The budget refers to them as offsetting collections and offsetting receipts, because they are subtracted from gross outlays rather than added to taxes on the receipts side of the budget. The purpose of this treatment is to produce budget totals for receipts, outlays, and budget authority in terms of the amount of resources allocated governmentally, through collective political choice, rather than through the market.<sup>1</sup>

Offsetting collections and receipts include most user fees, which are discussed below, as well as some amounts that are not user fees. Table 5–1 summarizes these transactions. For 2003, total offsetting collections and receipts from the public are estimated to be \$231.2 billion, and total user fees are estimated to be \$154.3 billion.

The following section discusses user fees and the Administration’s user fee proposals. The subsequent section displays more information on offsetting collections and receipts. The offsetting collections and receipts by agency are also displayed in Table 21–1, “Outlays to the Public, Net and Gross,” which appears in Chapter 21 of this volume.

**Table 5–1. GROSS OUTLAYS, USER FEES, OTHER OFFSETTING COLLECTIONS AND RECEIPTS FROM THE PUBLIC, AND NET OUTLAYS**

(In billions of dollars)

	2001 Actual	Estimate	
		2002	2003
Gross outlays .....	2,084.5	2,275.7	2,359.5
Offsetting collections and receipts from the public:			
User fees <sup>1</sup> .....	–132.1	–140.2	–152.7
Other .....	–88.4	–83.2	–78.5
Subtotal, offsetting collections and receipts from the public .....	–220.6	–223.4	–231.2
Net outlays .....	1,863.9	2,052.3	2,128.2

<sup>1</sup> Total user fees are shown below. They include user fees that are classified on the receipts side of the budget in addition to the amounts shown on this line. For additional details of total user fees, see table 5–2. “Total User Fee Collections.”

Total user fees:			
Offsetting collections and receipts from the public .....	132.1	140.2	152.7
Receipts .....	1.5	1.5	1.6
Total, user fees .....	133.7	141.6	154.3

<sup>1</sup> Showing collections from business-type transactions as offsets on the spending side of the budget follows the concept recommended by the 1967 Report of the President’s Commis-

sion on Budget Concepts. The concept is discussed in Chapter 25: “Budget System and Concepts and Glossary” in this volume.

## USER FEES

### I. Introduction and Background

The Federal Government may charge user fees to those who benefit directly from a particular activity or those subject to regulation. According to the definition of user fees used in this chapter, Table 5-2 shows that user fees were \$133.7 billion in 2001, and are estimated to increase to \$141.6 billion in 2002 and to \$154.3 billion in 2003, growing to an estimated \$176.9 billion in 2007, including the user fee proposals that are shown in Table 5-3. This table shows that the Administration is proposing to increase user fees by an estimated \$1.5 billion in 2003, growing to an estimated \$2.9 billion in 2007.

**Definition.** The term “user fee” as defined here is fees, charges, and assessments levied on groups or individuals directly benefitting from, or subject to regulation by, a government program or activity, and to be utilized solely to support the program or activity. In addition, the payers of the fee must be limited to those benefitting from, or subject to regulation by, the program or activity, and may not include the general public or a broad segment of the public. The user fee must be authorized for use only to fund the specified programs or activities for which it is charged, including directly associated agency functions, not for unrelated programs or activities and not for the broad purposes of the Government or an agency.

- Examples of business-type or market-oriented user fees include fees for the sale of postal services (the sale of stamps), electricity (e.g., sales by the Tennessee Valley Authority), payments for Medicare voluntary supplemental medical insurance, life insurance premiums for veterans, recreation fees for parks, NASA fees for shuttle services, the sale of weather maps and related information by the Department of Commerce, the sale of commemorative coins, and fees for the sale of books.
- Examples of regulatory and licensing user fees include fees for regulating the nuclear energy industry, bankruptcy filing fees, immigration fees, food inspection fees, passport fees, and patent and trademark fees.

User fees do not include all offsetting collections and receipts, such as the interest and repayments received from credit programs; proceeds from the sale of loans and other financial investments; interest, dividends, and other earnings; cost sharing contributions; the sale of timber, minerals, oil, commodities, and other natural resources; proceeds from asset sales (property, plant, and equipment); Outer Continental Shelf receipts; or spectrum auction proceeds. Neither do they include earmarked taxes (such as taxes paid to social insurance programs or excise taxes), or customs duties, fines, penalties, and forfeitures.

**Alternative definitions.** The definition used in this chapter is useful because it identifies goods, services, and regulations financed by earmarked collections and

receipts.<sup>2</sup> Other definitions may be used for other purposes. Much of the discussion of user fees below—their purpose, when they should be levied, and how the amount should be set—applies to these alternatives as well.

OMB uses the broader concept of “user charges” to establish policy for charging prices to the public for the sale or use of goods, services, property, and resources (see OMB Circular A-25, “User Charges,” July 8, 1993). User charges are all amounts assessed for the provision of Government services and for the sale or use of Government goods, property, or resources. The payers of the user charge must be limited in the authorizing legislation to those receiving special benefits from, or subject to regulation by, the program or activity beyond the benefits received by the general public or broad segments of the public (such as those who pay income taxes or customs duties). The term is broader than user fees as defined in this chapter in two ways. First, user charges encompass proceeds from the sale of government goods and services regardless of whether they are earmarked to fund the specific program or activity for which they are charged. Second, the term includes proceeds from the sale of natural resources (such as timber, oil, and minerals) and asset sales (such as property, plant, and equipment) as well as goods and services.

Other alternative definitions of user fees could, for example:

- be narrower than the one used here, by excluding regulatory fees and analyzing them as a separate category.
- interpret more broadly whether a program has private beneficiaries, or whether the proceeds are earmarked to benefit directly those paying the fee. A broader interpretation might include beneficiary- or liability-based excise taxes.<sup>3</sup>

**What is the purpose of user fees?** The purpose of user fees is to improve the efficiency and equity of certain Government activities, and to reduce the burden on the taxpayer to finance activities whose benefits accrue to a relatively limited number of people.

User fees that are set to cover the costs of production of goods and services can provide efficiency in the allocation of resources within the economy. They allocate goods and services to those who value them the most, and they signal to the Government how much of the goods or services it should provide. Prices in private, competitive markets serve the same purposes.

<sup>2</sup>The definition of user fees used here is similar to one the House of Representatives uses as a guide for purposes of committee jurisdiction. The definition helps differentiate between taxes, which are under the jurisdiction of the Ways and Means Committee, and fees, which can be under the jurisdiction of other committees. See the Congressional Record, January 3, 1991, p. H31, item 8.

<sup>3</sup>Beneficiary- and liability-based taxes are terms taken from the Congressional Budget Office, *The Growth of Federal User Charges*, August 1993, and updated in October 1995. Examples of beneficiary-based taxes include taxes on gasoline, which finance grants to States for highway construction, or taxes on airline tickets, which finance air traffic control activities and airports. An example of a liability-based tax is the excise tax that formerly helped fund the hazardous substance superfund in the Environmental Protection Agency. This tax was paid by industry groups to finance environmental cleanup activities related to the industry activity but not necessarily caused by the payer of the fee.

User fees for goods and services that do not have special social benefits improve equity, or fairness, by requiring that those who benefit from an activity are the same people who pay for it. The public often perceives user fees as fair because those who benefit from the good or service pay for it in whole or in part, and those who do not benefit do not pay.

**When should the Government charge a fee?** Discussions of whether to finance spending with a tax or a fee often focus on whether the benefits of the activity are to the public in general or to a limited group of people. In general, if the benefits accrue broadly to the public, then the program should be financed by taxes paid by the public; in contrast, if the benefits accrue to a limited number of private individuals or groups, then the program should be financed by fees paid by the private beneficiaries. For Federal programs where the benefits are entirely public or entirely private, applying this principle is relatively easy. For example, according to this principle, the benefits from national defense accrue to the public in general and should be (and are) financed by taxes. In contrast, the benefits of electricity sold by the Tennessee Valley Authority accrue exclusively to those using the electricity, and should be (and are) financed by user fees.

In many cases, however, an activity has benefits that accrue to both public and to private groups, and it may be difficult to identify how much of the benefits accrue to each. Because of this, it can be difficult to know how much of the program should be financed by taxes and how much by fees. For example, the benefits from recreation areas are mixed. Fees for visitors to these areas are appropriate because the visitors benefit directly from their visit, but the public in general also benefits because these areas protect the Nation's natural and historical heritage now and for posterity.

As a further complication, where a fee may be appropriate to finance all or part of an activity, some consideration must be given to the ease of administering the fee.

**What should be the amount of the fee?** For programs that have private beneficiaries, the amount of the fee should depend on the costs of producing the goods or services and the portion of the program that is for private benefits. If the benefit is primarily private, and any public benefits are incidental, current policies support fees that cover the full cost to the Government, including both direct and indirect costs.<sup>4</sup>

The Executive Branch is working to put cost accounting systems in place across the Government that would make the calculation of full cost more feasible. The difficulties in measuring full cost are associated in part with allocating to an activity the full costs of capital, retirement benefits, and insurance, as well as other Federal costs that may appear in other parts of the budget. Guidance in the Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Account-

ing Concepts and Standards for the Federal Government (July 31, 1995), should underlie cost accounting in the Federal Government.

**Classification of user fees in the budget.** As shown in Table 5-1, most user fees are classified as offsets to outlays on the spending side of the budget, but a few are classified on the receipts side of the budget. An estimated \$1.6 billion in 2003 are classified this way and are included in the totals described in Chapter 4. "Federal Receipts." They are classified as receipts because they are regulatory fees collected by the Federal Government by the exercise of its sovereign powers.

The remaining user fees, an estimated \$152.7 billion in 2003, are classified as offsetting collections and receipts on the spending side of the budget. Some of these are collected by the Federal Government by the exercise of its sovereign powers and would normally appear on the receipts side of the budget, but are required by law to be classified as offsetting collections or receipts.

An estimated \$108.8 billion of user fees for 2003 are credited directly to expenditure accounts, and are generally available for expenditure when they are collected, without further action by the Congress. An estimated \$43.9 billion of user fees for 2003 are deposited in offsetting receipt accounts, and are available to be spent only according to the legislation that established the fees.

As a further classification, the accompanying Tables 5-2 and 5-3 identify the fees as discretionary or mandatory. These classifications are terms from the Budget Enforcement Act of 1990 as amended and are used frequently in the analysis of the budget. "Discretionary" in this chapter refers to fees generally controlled through annual appropriations acts and under the jurisdiction of the appropriations committees in the Congress. These fees offset discretionary spending under the discretionary caps. "Mandatory" refers to fees controlled by permanent laws and under the jurisdiction of the authorizing committees. These fees are subject to rules of paygo, whereby changes in law affecting mandatory programs and receipts cannot result in a net cost. Mandatory spending is sometimes referred to as direct spending.

These and other classifications are discussed further in this volume in Chapter 25, "Budget System and Concepts and Glossary."

## II. Current User Fees

As shown in Table 5-2, total user fee collections (including those proposed in this budget) are estimated to be \$154.3 billion in 2003, increasing to \$176.9 billion in 2007. User fee collections by the Postal Service and Medicare premiums are the largest and are estimated to be almost two-thirds of total user fee collections in 2003.

<sup>4</sup>Policies for setting user charges are promulgated in OMB Circular No. A-25: "User Charges" (July 8, 1993). These policies are required regardless of whether or not the proceeds are earmarked to finance the related activity.

Table 5-2. TOTAL USER FEE COLLECTIONS

(In millions of dollars)

	2001 Actual	Estimates					
		2002	2003	2004	2005	2006	2007
<b>Receipts</b>							
Agricultural quarantine inspection fees .....	265	215	260	259	266	272	279
Corps of Engineers, Harbor maintenance fees .....	722	733	823	839	909	972	1,005
Other governmental receipts user fees .....	545	515	532	538	548	552	559
Subtotal, receipts .....	1,532	1,463	1,615	1,636	1,723	1,796	1,843
<b>Offsetting Collections and Receipts from the Public</b>							
<b>Discretionary</b>							
Department of Agriculture: Food safety inspection and other fees .....	153	185	221	233	238	241	246
Department of Commerce: Patent and trademark, fees for weather services, and other fees .....	1,366	1,665	1,826	1,985	2,145	2,299	2,405
Department of Defense: Commissary and other fees .....	5,834	5,828	6,052	6,052	6,052	6,052	6,052
Department of Energy: Federal Energy Regulatory Commission, power marketing, and other fees .....	917	1,297	1,276	1,303	1,329	1,362	1,393
Department of Health and Human Services: Food and Drug Administration, Centers for Medi- care and Medicaid Services, and other fees .....	273	294	529	531	543	545	549
Department of the Interior: Minerals Management Service and other fees .....	212	210	209	212	217	223	227
Department of Justice: Antitrust and other fees .....	304	414	435	441	446	452	458
Department of State: Passport and other fees .....	544	508	656	670	685	701	717
Department of Transportation: Railroad safety, navigation, and other fees .....	38	144	381	629	640	652	665
Department of the Treasury: Sale of commemorative coins and other fees .....	1,489	1,257	1,910	1,439	1,470	1,505	1,539
Department of Veterans Affairs: Medical care and other fees .....	774	808	1,087	1,288	1,377	1,467	1,558
Social Security Administration: State supplemental fees, supplemental security income .....	91	106	111	119	126	134	143
Federal Communications Commission: Regulatory fees .....	208	227	248	253	258	264	270
Federal Trade Commission: Regulatory fees .....	91	163	178	182	187	192	197
Nuclear Regulatory Commission: Regulatory fees .....	453	479	518	523	528	545	563
Securities and Exchange Commission: Regulatory fees .....	735	1,149	1,332	1,542	1,837	2,171	1,142
All other agencies, discretionary user fees .....	220	267	293	338	346	354	365
Subtotal, discretionary user fees .....	13,702	15,001	17,262	17,740	18,424	19,159	18,489
<b>Mandatory</b>							
Department of Agriculture: Crop insurance and other fees .....	1,240	1,100	1,097	1,198	1,237	1,199	1,215
Department of Defense: Commissary surcharge and other fees .....	265	743	599	599	599	599	599
Department of Energy: Proceeds from the sale of energy, nuclear waste disposal fees, and other fees .....	4,851	4,623	4,508	4,650	4,295	4,246	4,237
Department of Health and Human Services: Medicare Part B insurance premiums and other fees .....	23,764	25,637	27,363	29,063	31,082	33,264	35,568
Department of the Interior: Recreation and other fees .....	634	672	626	641	643	646	649
Department of Justice: Immigration and other fees .....	1,821	2,241	2,320	2,312	2,352	2,394	2,438
Department of Labor: Insurance premiums to guaranty private pensions .....	850	886	829	818	830	827	823
Department of the Treasury: Customs, bank regulation, and other fees .....	1,929	1,992	2,143	717	736	751	766
Department of Veterans Affairs: Veterans life insurance and other fees .....	1,553	1,974	2,114	2,101	2,059	2,077	2,035
Federal Emergency Management Agency: Flood insurance fees .....	1,603	1,729	1,785	1,839	1,906	1,980	2,069
Office of Personnel Management: Federal employee health and life insurance fees .....	7,404	8,037	9,881	10,680	11,372	12,091	12,886
Federal Communications Commission: Analog spectrum lease fee .....	83	86	893	2,123	2,274	2,333	2,375
Federal Deposit Insurance Corporation: Deposit insurance fees .....	64,871	67,794	73,727	75,796	77,996	79,996	81,996
Postal Service: Fees for postal services .....	7,326	7,348	7,205	7,462	7,674	7,806	8,018
Tennessee Valley Authority: Proceeds from the sale of energy .....	224	322	337	372	384	397	405
All other agencies, mandatory user fees .....							
Subtotal, mandatory user fees .....	118,418	125,184	135,427	140,371	145,439	150,606	156,579
Subtotal, offsetting collections and receipts from the public .....	132,120	140,185	152,689	158,111	163,863	169,765	175,068
<b>Total, User fees</b> .....	<b>133,652</b>	<b>141,648</b>	<b>154,304</b>	<b>159,747</b>	<b>165,586</b>	<b>171,561</b>	<b>176,911</b>

User fee collections are used to offset outlays in both the discretionary and mandatory parts of the budget. User fee collections classified in the discretionary part

of the budget are estimated to be \$17.3 billion in 2003, and those in the mandatory part are estimated to be \$135.4 billion in 2003.

### III. User Fee Proposals

As shown in Table 5–3, the Administration is proposing new or increased user fees that would increase collections by an estimated \$1.5 billion in 2003, increasing to \$2.9 billion in 2007.

#### A. User Fee Proposals to Offset Discretionary Spending

##### 1. Offsetting collections

#### Department of Agriculture

*Animal and Plant Health Inspection Service.*—Legislation will be proposed to establish user fees for APHIS costs for animal welfare inspections, such as for animal research centers, humane societies, and kennels.

*Grain Inspection, Packers and Stockyards Administration.*—Legislation will be proposed to establish a fee for the standardization activities of the Grain Inspection, Packers and Stockyards Administration, and a licensing fee to cover the costs of administering these programs.

#### Department of Commerce

*Patent and Trademark Office.*—The Administration proposes changes to patent and trademark fee schedules effective in 2004 to fully support the PTO's long-term objectives to reduce application processing times and increase patent and trademark quality. As a first step, the Administration is proposing a one-year surcharge on all patent and trademark fees in 2003 as a proxy for the draft legislation.

*International Trade Administration.*—The Budget proposes an increase in fee collections of \$10 million in 2003 and later years for ITA. In addition, ITA will study different fee options in 2002 to determine an appropriate model for cost recovery from firms that receive trade promotion services.

#### Department of Health and Human Services

*User Fees for Medicare providers for paper claims and duplicate or unprocessable claims.*—The Administration is proposing new user fees for providers submitting paper claims and duplicate or unprocessable claims. Under this proposal, providers would be charged \$1.50 for every paper claim submitted for payment. The fee is necessary because processing paper claims is more costly than processing electronic claims. Paper claim fees would be waived for rural and poor providers.

The Centers for Medicare and Medicaid Services and its contractors go to great lengths to ensure that providers are aware of billing requirements and the need to submit accurate claims. Charging a fee for duplicate or unprocessable claims would heighten provider awareness of these issues and increase efficiency by deterring this action.

*Fees for the review of new prescription drugs.*—The Administration is proposing the reauthorization of the Prescription Drug User Fee Act (PDUFA). Originally

authorized in 1992 and reauthorized in 1997, PDUFA assesses user fees to pharmaceutical manufacturers for the Food and Drug Administration (FDA) review of new prescription drugs for safety and efficacy. FDA review of a new prescription drug is required before these drugs are available to consumers on the market. Spending financed by these fees would be in addition to regular appropriations.

#### Department of State

*Machine readable visa fee.*—The State Department plans to increase machine readable visa (MRV) collection fees by more than 30 percent, from \$45 to \$65. Since 1996, MRVs have been available at all 221 U.S. visa issuing posts around the world. These visas provide increased border security control through the use of biometric technology. MRVs currently include digitized photographs and personal information related to the traveler. However, they have the capability to encode retinal images, fingerprints and other personal details, which can then be read electronically and relayed to other Federal agencies to be compared to other database information. Approximately 5 million visas are processed annually.

#### Commodity Futures Trading Commission

*Fees on each round-turn commodities futures and options transactions.*—The Commodities Futures Trading Commission regulates U.S. futures and options markets. It strives to protect investors by preventing fraud and abuse and ensuring adequate disclosure of information. The President's Budget includes a fee on each round-turn commodities futures and options transaction that will be phased in during 2003. This proposal recognizes that market participants derive direct benefits from CFTC's oversight, which provides legal certainty and contributes to the integrity and soundness of the markets.

#### Federal Trade Commission

*Do Not Call List fee.*—The Federal Trade Commission is proposing new fees that will be assessed, collected and used to cover costs of developing, implementing and maintaining a national database of telephone numbers of consumers who choose not to receive telephone solicitations, as authorized by the Telephone Consumer and Abuse Prevention Act.

##### 2. Offsetting receipts

#### Department of Transportation

*Hazardous materials transportation safety fees.*—Beginning in 2003, hazardous materials transportation safety activities previously financed by general fund appropriations to the Research and Special Programs Administration are proposed to be financed instead by an increase in hazardous materials registration fees. Appropriation language is proposed to increase the fees

**Table 5-3. USER FEE PROPOSALS**  
(Estimated collections in millions of dollars)

	2003	2004	2005	2006	2007	2003-2007
<b>DISCRETIONARY</b>						
<i>1. Offsetting collections</i>						
<b>Department of Agriculture</b>						
Animal Plant and Health Inspection Service .....	5	5	5	5	5	25
Grain Inspection, Packers, and Stockyards Administration .....	29	29	29	29	29	145
<b>Department of Commerce</b>						
Patent and Trademark Office: Increase current fees and raise fee rates .....		136	79	40	40	295
International Trade Administration: Increased fee revenues for export promotion .....	10	10	10	10	10	50
<b>Department of Health and Human Services</b>						
User fees for Medicare providers for paper claims and duplicate or unprocessable claims .....	130	130	130	130	130	650
Food and Drug Administration: Fees for the review of new prescription drugs .....	272	272	272	272	272	1,360
<b>Department of State</b>						
Machine readable visa fee .....	139	144	150	155	161	749
<b>Commodity Futures Trading Commission</b>						
Fees on each round-turn commodities futures and options transactions .....	33	70	73	78	83	337
<b>Federal Trade Commission</b>						
Do Not Call List fee .....	3	3	3	3	3	15
<i>2. Offsetting receipts</i>						
<b>Department of Transportation</b>						
Hazardous materials transportation safety fees .....	6	25	25	25	25	106
Railroad safety inspection fees .....	59	120	122	124	127	552
Coast Guard commercial navigation assistance fee .....	165	330	336	342	349	1,522
<b>Department of the Treasury</b>						
Customs Service air/sea passenger fee and cruise vessel fee .....	250					250
<b>Department of Veterans Affairs</b>						
Implement \$1,500 deductible for priority level 7 (non-disabled, higher income) veterans for health care .....	363	381	400	420	441	2,005
<b>Environmental Protection Agency</b>						
Abolish cap on pre-manufacturing notification fees .....	4	8	8	8	8	36
<b>Nuclear Regulatory Commission</b>						
Extend NRC fees at their 2005 level for 2006 and later .....				345	357	702
Subtotal, discretionary fee proposals .....	1,468	1,663	1,642	1,986	2,040	8,799
<b>MANDATORY</b>						
<i>1. Offsetting collections</i>						
<b>Federal Emergency Management Agency</b>						
Flood insurance fees .....	8	43	83	130	191	455
<i>2. Offsetting receipts</i>						
<b>Department of Agriculture</b>						
Food Safety and Inspection Service user fees .....		72	72	74	74	292
Forest Service ski fee permits .....		3	10	14	15	42
Forest Service recreation and entrance fees .....			43	44	44	131
<b>Department of the Interior</b>						
Recreation and entrance fees .....			43	44	44	131
<b>Corps of Engineers</b>						
Recreation user fees .....	6	11	16	21	21	75
<b>Federal Communications Commission</b>						
Analog spectrum lease fee .....					500	500
Subtotal, mandatory user fee proposals .....	14	129	267	327	889	1,626
Total, user fee proposals .....	1,482	1,792	1,909	2,313	2,929	10,425

paid by shippers and carriers of hazardous materials in 2003 to fund these safety activities.

**Railroad safety inspection fee.**—This proposal would fund Federal Railroad Administration safety inspections and the safety component of the railroad research and development program. The fees would be collected from the primary beneficiaries of these services, the railroad carriers, and be based upon a calculation of their usage as established through regulations. The estimated 2003 collections are 50 percent of the anticipated cost of safety services. In subsequent years these services would be fully funded with user fees.

**Coast Guard commercial navigation assistance fee.**—This proposal would partially recover the costs of providing Coast Guard navigational assistance services. The fees would be collected from the primary beneficiaries of these services, which are commercial cargo and cruise vessels. The estimated 2003 collections assume a six month implementation period for this new fee and represent 50 percent of the anticipated full year receipts.

## Department of the Treasury

*Customs Service air/sea passenger fee and cruise vessel fee.*—The Administration proposes an increase in two of the user fees collected by the Customs Service. The air/sea passenger fee was established in 1986 at \$5.00 per passenger. The cruise vessel passenger fee was established at \$1.75 per passenger. The receipts from these fees are used to pay for Customs' overtime inspections and related expenses. The air/sea fee would increase to \$11 per passenger. The cruise vessel fee would increase to \$2 per passenger. The new fee levels would help to offset higher costs incurred by the Customs Service.

## Department of Veterans Affairs

*Implement a \$1,500 deductible for priority level 7 veterans for health care.*—The budget request includes a proposal to establish a \$1,500 annual deductible for priority level 7 veterans (non-disabled, higher-income). This proposal is in response to the significant growth in enrollment and usage by priority level 7 veterans over the last 3 years, as well as anticipated future growth. The objective is to have these veterans pay a larger portion of the cost of their health care. Coupled with the recent increase in pharmacy copayments and decrease in outpatient care copayments, this proposal makes certain that VA's health care system is able to continue providing high-quality health care to its core population—disabled and low-income veterans.

## Environmental Protection Agency

*Abolish cap on pre-manufacturing notification fees.*—EPA collects fees from chemical manufacturers seeking to bring new chemicals into commerce. These fees are authorized by the Toxic Substances Control Act and are now subject to an outdated statutory cap. The Administration is proposing appropriations language to modify the cap so that EPA can increase fees to fully cover the cost of the program.

## Nuclear Regulatory Commission

*Extend NRC fees at their 2005 level for 2006 and later.*—The Omnibus Budget Reconciliation Act (OBRA) of 1990, as amended, required that the Nuclear Regulatory Commission (NRC) assess license and annual fees that recover approximately 94 percent of its budget authority in 2003, less the appropriation from the Nuclear Waste Fund. Licensees are required to reimburse NRC for its services, because licensees benefit from such services.

Under OBRA, as amended, the budget authority recovery requirement decreases by 2 percentage points per year until it reaches 90 percent in 2005. After 2005, the requirement reverts to 33 percent per year. If the 90 percent requirement is not extended beyond 2005, fees would drop from an estimated \$528 million in 2005 to \$200 million in 2006; with an extension at 90 percent, fees would be an estimated \$545 million in 2006, an increase of \$345 million.

## B. User Fee Proposals to Offset Mandatory Spending

### 1. Offsetting collections

#### Federal Emergency Management Agency

*Flood insurance fees.*—The Administration proposes to phase out subsidized premiums for flood insurance for vacation homes, rental properties, and other non-primary residences. Insurance rates for primary residences, which represent the majority of the program's policies, would not change under these proposal. In addition, the Administration proposes to include the cost of expected erosion losses for flood insurance policies in coastal areas, require that mortgage borrowers insure the full replacement value of their properties, and end State taxation of flood insurance policies.

### 2. Offsetting receipts

#### Department of Agriculture

*Food Safety and Inspection Service.*—Legislation will be proposed replacing the existing overtime fee structure with a revised structure that would distribute fees more proportionately between large and small plants. Overtime fees would also apply to all inspection hours provided after one eight hour shift. However, since the goal of the proposed fee is equity, rather than revenue, the costs for the overtime would be shared with the Federal Government paying 50 percent of the total overtime costs.

In addition to overtime fees, the legislative proposal would recover some overhead costs by charging all plants an annual fee in direct proportion to the plants volume of output. The funds collected would be available without appropriation to cover food safety-related activities and research.

*Forest Service ski fees permits.*—This proposal would require the receipt of fair market value from use and occupancy of ski resorts on national forest lands. The proposal would amend the Omnibus Parks and Public Lands Management Act (P.L. 104-333), which established a new fee schedule for ski resorts on National Forest System lands. The amendment would adjust percentages of gross revenue that determine fees to the Government. Funds collected are available for forest restoration of landscapes impacted by ski resorts.

*Forest Service recreation and entrance fees.*—The Administration proposes to permanently extend the current pilot program that allows the Forest Service to collect increased recreation and entrance fees. These receipts would be available for use without further appropriation and are necessary to maintain and improve recreation facilities and services. A similar proposal affects recreation fees for the National Park Service, the Bureau of Land Management, and the Fish and Wildlife Service in the Department of the Interior.

#### Department of the Interior

*Recreation and entrance fees.*—The Administration proposes to extend permanently the current recreation fee demonstration program. Since 1996, this program

has allowed the National Park Service, the Bureau of Land Management, and the Fish and Wildlife Service to collect increased recreation and entrance fees and spend the receipts without further appropriation on facility improvements, visitor programs, and other services. At least half of the National Park Service receipts will be used to address deferred maintenance needs. A related proposal affects recreation fees for the Forest Service in the Department of Agriculture.

### Corps of Engineers

*Recreation user fees.*—The Administration proposes to phase in recreation user fee increases with the entire increase available without further legislative action for spending on operation, maintenance, and improvements of the recreation facilities of the Corps of Engineers, many of which are obsolete. Legislation will be required to increase limits on existing recreation user fees, au-

thorize new fees, or reclassify existing fees. In addition, the Administration recommends extending the recreation demonstration program, which makes available to the Corps without further appropriation recreation fee revenues above a baseline of \$34 million per year, to be used for operation and maintenance of its recreation facilities. The Corps spends about \$250 million annually on these activities.

### Federal Communications Commission

*Analog spectrum lease fee.*—The Administration proposes authorizing the FCC to establish an annual lease fee totaling \$500 million for the use of analog spectrum by commercial broadcasters beginning in 2007, to facilitate the clearing of analog television broadcast spectrum and provide taxpayers some compensation for use of this scarce resource.

## OTHER OFFSETTING COLLECTIONS AND RECEIPTS

Table 5–4 shows that total offsetting collections and receipts from the public are estimated to be \$231.2 billion in 2003. Of these, an estimated \$149.3 billion are offsetting collections credited to appropriation accounts and an estimated \$81.9 billion are deposited in offsetting receipt accounts.

The user fees in Table 5–4 were discussed in the previous section. Major offsetting collections deposited in expenditure accounts that are not user fees are pre-credit reform loan repayments, collections from States to supplement payments in the supplemental security income program, and collections for the Federal Savings and Loan resolution fund. Major offsetting receipts that are not user fees include spectrum auction receipts, military assistance program sales, rents and royalties for oil and gas on the Outer Continental Shelf, and interest income.

Table 5–5 includes all offsetting receipts deposited in receipt accounts. These include payments from one part of the Government to another, called intragovernmental transactions, and collections from the public. These receipts are offset (deducted) from outlays in the Federal budget. In total, offsetting receipts are estimated to be \$511.5 billion in 2003—\$429.6 billion are intragovernmental transactions, and \$81.9 billion are from the public, shown in the table as proprietary receipts from the public and offsetting governmental receipts.

As noted above, offsetting collections and receipts by agency are also displayed in Table 21–1, “Outlays to the Public, Net and Gross,” which appears in Chapter 21 of this volume.



Table 5-4. OFFSETTING COLLECTIONS AND RECEIPTS FROM THE PUBLIC

(In millions of dollars)

	2001 Actual	Estimate	
		2002	2003
<b>Offsetting collections credited to expenditure accounts:</b>			
User fees:			
Postal service stamps and other postal fees .....	64,871	67,794	73,727
Defense Commissary Agency .....	5,083	5,101	5,351
Employee contributions for employees and retired employees health benefits funds <sup>1</sup> .....	5,855	6,503	.....
Sale of energy:			
Tennessee Valley Authority .....	7,326	7,348	7,205
Bonneville Power Administration .....	3,937	3,697	3,616
All other user fees .....	14,880	16,942	18,871
Subtotal, user fees .....	101,952	107,385	108,770
Other collections credited to expenditure accounts:			
Pre-credit reform loan repayments .....	14,078	14,851	13,551
Supplemental security income (collections from the States) .....	3,160	3,797	3,937
Federal Savings and Loan Insurance Corporation resolution fund .....	1,688	1,243	267
Other collections .....	19,386	20,082	22,786
Subtotal, other collections .....	38,312	39,973	40,541
Subtotal, offsetting collections credited to expenditure accounts .....	140,264	147,358	149,311
<b>Offsetting receipts:</b>			
User fees:			
Medicare premiums .....	23,748	25,622	27,347
Employee contributions for employees and retired employees health benefits funds <sup>1</sup> .....	.....	.....	8,264
All other user fees .....	6,420	7,178	8,308
Subtotal, user fees deposited in receipt accounts .....	30,168	32,800	43,919
Other collections deposited in receipt accounts:			
Spectrum auction receipts .....	1,024	530	460
Military assistance program sales .....	10,229	10,300	10,410
OCS rents, bonuses, and royalties .....	7,194	3,806	2,832
Interest income .....	12,175	12,513	13,887
All other collections deposited in receipt accounts .....	19,497	16,086	10,402
Subtotal, other collections deposited in receipt accounts .....	50,119	43,235	37,991
Subtotal, collections deposited in receipt accounts .....	80,287	76,035	81,910
<b>Total, offsetting collections and receipts from the public .....</b>	<b>220,551</b>	<b>223,393</b>	<b>231,221</b>
<b>Total, offsetting collections and receipts excluding off-budget .....</b>	<b>155,554</b>	<b>155,454</b>	<b>157,344</b>
<b>ADDENDUM:</b>			
User fees that are offsetting collections and receipts <sup>2</sup> .....	132,120	140,185	152,689
Other offsetting collections and receipts from the public .....	88,431	83,208	78,532
<b>Total, offsetting collections and receipts from the public .....</b>	<b>220,551</b>	<b>223,393</b>	<b>231,221</b>

<sup>1</sup> Beginning in 2003, amounts received by the Federal Employees Health Benefits Program (FEHBP), previously treated as offsetting collections, are now treated as offsetting receipts. This reflects a change in the FEHBP from a trust revolving fund to a special fund and is consistent with the President's proposed Managerial Flexibility Act.

<sup>2</sup> Excludes user fees that are classified on the receipts side of the budget. For total user fees, see Table 5.1 or Table 5.2.

Table 5-5. OFFSETTING RECEIPTS BY TYPE

(In millions of dollars)

Source	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
INTRAGOVERNMENTAL TRANSACTIONS							
On-budget receipts:							
Federal intrafund transactions:							
Distributed by agency:							
Interest from the Federal Financing Bank .....	2,157	1,930	1,484	1,724	2,044	2,342	2,230
Interest on Government capital in enterprises .....	1,091	1,095	1,075	1,047	1,165	932	826
Interest received by retirement and health benefits funds .....			773	1,335	1,899	2,491	3,112
General fund payments to retirement and health benefits funds:							
Employees health benefits fund .....			11,622	11,026	11,026	11,026	11,026
DoD retiree health care fund .....			16,351	24,455	27,034	29,816	32,817
Miscellaneous Federal retirement funds <sup>1</sup> .....			888	893	902	912	923
Subsidy balance transfers .....	4,026	909					
Other .....	3,323	2,403	2,475	2,538	2,661	2,779	2,896
Undistributed by agency:							
Employing agency contributions:							
Employees health benefits fund .....			16,404	17,475	18,587	19,800	21,168
DoD retiree health care fund .....			8,312	15,475	16,416	17,418	18,500
Miscellaneous Federal retirement funds .....	8,219	8,683	279	331	288	285	286
Total Federal intrafunds .....	18,816	15,020	59,663	76,299	82,022	87,801	93,784
Trust intrafund transactions:							
Distributed by agency:							
Payments to railroad retirement .....	3,283	3,863	3,854	3,807	3,808	3,658	3,911
Other .....	1	1	1	1	1	1	1
Total trust intrafunds .....	3,284	3,864	3,855	3,808	3,809	3,659	3,912
Total intrafund transactions .....	22,100	18,884	63,518	80,107	85,831	91,460	97,696
Interfund transactions:							
Distributed by agency:							
Federal fund payments to trust funds:							
Contributions to insurance programs:							
Military retirement fund .....	16,089	17,047	17,643	18,261	18,900	19,563	20,247
Supplementary medical insurance .....	69,838	77,295	80,905	84,790	90,003	96,284	103,019
Proposed Legislation (non-PAYGO) .....			-19	-1	102	74	54
Hospital insurance .....	5,594	11,544	9,423	9,807	10,385	10,963	11,657
Railroad social security equivalent fund .....	98	95	100	103	106	109	114
Rail industry pension fund .....	229	242	254	265	275	284	296
Civilian supplementary retirement contributions .....	21,890	22,399	29,660	29,666	29,669	29,672	29,674
Unemployment insurance .....	432	517	531	526	522	526	541
Other contributions .....	560	482	506	508	535	533	536
Subtotal .....	114,730	129,621	139,003	143,925	150,497	158,008	166,138
Miscellaneous payments .....	1,520	930	988	944	901	882	865
Proposed Legislation (non-PAYGO) .....			2,066				
Subtotal .....	116,250	130,551	142,057	144,869	151,398	158,890	167,003
Trust fund payments to Federal funds:							
Quinquennial adjustment for military service credits .....	836						
Other .....	2,301	1,141	1,171	1,193	1,217	1,242	1,278
Proposed Legislation (non-PAYGO) .....			1,606	-446	-435	-430	-427
Subtotal .....	3,137	1,141	2,777	747	782	812	851
Total interfunds distributed by agency .....	119,387	131,692	144,834	145,616	152,180	159,702	167,854
Undistributed by agency:							
Employer share, employee retirement (on-budget):							
Civil service retirement and disability insurance .....	10,072	10,612	14,233	14,599	14,956	15,239	15,475
CSRDI from Postal Service .....	6,600	6,780	6,932	7,089	7,320	7,555	7,745
Hospital insurance (contribution as employer) <sup>2</sup> .....	2,031	2,183	2,299	2,402	2,538	2,645	2,755
Postal employer contributions to FHI .....	673	711	733	756	781	808	836
Military retirement fund .....	11,371	12,491	11,934	12,396	12,911	13,383	13,847

Table 5-5. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Source	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Other Federal employees retirement .....	136	134	138	142	147	152	157
Total employer share, employee retirement (on-budget) .....	30,883	32,911	36,269	37,384	38,653	39,782	40,815
Interest received by on-budget trust funds .....	75,302	74,287	77,254	80,145	83,559	87,259	91,793
Proposed Legislation (non-PAYGO) .....			-9	-44	-93	-149	-204
Total interfund transactions undistributed by agency .....	106,185	107,198	113,514	117,485	122,119	126,892	132,404
Total interfund transactions .....	225,572	238,890	258,348	263,101	274,299	286,594	300,258
Total on-budget receipts .....	247,672	257,774	321,866	343,208	360,130	378,054	397,954
<b>Off-budget receipts:</b>							
Trust intrafund transactions:							
Distributed by agency:							
Interfund transactions:							
Distributed by agency:							
Federal fund payments to trust funds:							
Old-age, survivors, and disability insurance .....	12,528	13,478	14,282	15,149	16,041	16,841	17,990
Undistributed by agency:							
Employer share, employee retirement (off-budget) .....	7,910	9,243	9,564	10,232	11,034	11,744	12,448
Interest received by off-budget trust funds .....	68,811	76,822	83,849	92,029	101,015	110,959	122,109
Total off-budget receipts: .....	89,249	99,543	107,695	117,410	128,090	139,544	152,547
<b>Total intragovernmental transactions .....</b>	<b>336,921</b>	<b>357,317</b>	<b>429,561</b>	<b>460,618</b>	<b>488,220</b>	<b>517,598</b>	<b>550,501</b>
<b>PROPRIETARY RECEIPTS FROM THE PUBLIC</b>							
<b>Distributed by agency:</b>							
Interest:							
Interest on foreign loans and deferred foreign collections .....	576	651	639	633	625	608	632
Interest on deposits in tax and loan accounts .....	951	451	585	585	585	585	585
Other interest (domestic—civil) <sup>3</sup> .....	10,647	11,411	12,663	13,283	13,770	14,238	14,659
Total interest .....	12,174	12,513	13,887	14,501	14,980	15,431	15,876
Dividends and other earnings .....							
Royalties and rents .....	2,235	1,458	1,494	1,551	1,526	1,604	1,635
Sale of products:							
Sale of timber and other natural land products .....	218	623	635	400	407	397	387
Proposed Legislation (PAYGO) .....				3	10	14	15
Sale of minerals and mineral products .....	31	27	30	33	32	32	30
Sale of power and other utilities .....	562	721	683	695	695	714	717
Proposed Legislation (PAYGO) .....			-149	-149	-150	-150	-150
Other <sup>3</sup> .....	73	89	77	77	77	77	77
Total sale of products .....	884	1,460	1,276	1,059	1,071	1,084	1,076
Fees and other charges for services and special benefits:							
Medicare premiums and other charges (trust funds) .....	23,748	25,622	27,347	29,013	30,984	33,152	35,529
Proposed Legislation (PAYGO) .....				35	82	95	23
Employees health benefits premiums .....			8,352	9,077	9,717	10,380	11,121
Nuclear waste disposal revenues .....	689	640	647	612	637	621	609
Veterans life insurance (trust funds) .....	194	198	184	170	154	139	125
Other <sup>3</sup> .....	2,409	3,124	3,480	3,780	3,808	3,990	4,133
Proposed Legislation (PAYGO) .....			6	93	189	207	208
Total fees and other charges .....	27,040	29,584	40,016	42,780	45,571	48,584	51,748
Sale of Government property:							
Sale of land and other real property <sup>3</sup> .....	86	150	412	110	110	110	107
Military assistance program sales (trust funds) .....	10,229	10,300	10,410	10,380	10,570	10,730	10,890
Other .....	358	759	90	65	66	41	7
Total sale of Government property .....	10,673	11,209	10,912	10,555	10,746	10,881	11,004

Table 5-5. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Source	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
Realization upon loans and investments:							
Negative subsidies and downward reestimates .....	8,627	6,027	751	757	764	773	748
Repayment of loans to foreign nations .....	291	71	85	88	94	108	25
Other .....	83	117	97	93	89	85	83
Total realization upon loans and investments .....	9,001	6,215	933	938	947	966	856
Recoveries and refunds <sup>3</sup> .....	3,730	2,780	2,882	3,011	3,119	3,201	3,305
Proposed Legislation (PAYGO) .....			7	14	-103	-164	-172
Miscellaneous receipt accounts <sup>3</sup> .....	2,293	1,909	1,916	1,924	1,928	1,941	1,945
Total proprietary receipts from the public distributed by agency .....	68,030	67,128	73,323	76,333	79,785	83,528	87,273
<b>Undistributed by agency:</b>							
Other interest: Interest received from Outer Continental Shelf escrow account .....	1						
Rents, bonuses, and royalties:							
Outer Continental Shelf rents and bonuses .....	719	834	466	509	427	396	347
Outer Continental Shelf royalties .....	6,475	2,972	2,366	2,443	3,243	3,573	3,671
Arctic National Wildlife Refuge:							
Proposed Legislation (PAYGO) .....				2,402	2	202	2
Sale of major assets .....					323		
Total proprietary receipts from the public undistributed by agency .....	7,195	3,806	2,832	5,354	3,995	4,171	4,020
<b>Total proprietary receipts from the public<sup>4</sup> .....</b>	<b>75,225</b>	<b>70,934</b>	<b>76,155</b>	<b>81,687</b>	<b>83,780</b>	<b>87,699</b>	<b>91,293</b>
<b>OFFSETTING GOVERNMENTAL RECEIPTS</b>							
<b>Distributed by agency:</b>							
Regulatory fees <sup>3</sup> .....	3,964	4,494	4,739	3,015	3,056	3,111	3,168
Proposed Legislation (non-PAYGO) .....			313	128	130	132	135
Other .....	74	77	243	409	416	423	431
<b>Undistributed by agency:</b>							
Spectrum auction proceeds .....	1,024	530	4,510	10,565	8,770	675	680
Proposed Legislation (PAYGO) .....			-4,050	3,350	2,700	4,700	500
Total offsetting governmental receipts .....	5,062	5,101	5,755	17,467	15,072	9,041	4,914
<b>Total offsetting receipts .....</b>	<b>417,208</b>	<b>433,352</b>	<b>511,471</b>	<b>559,772</b>	<b>587,072</b>	<b>614,338</b>	<b>646,708</b>

<sup>1</sup> 2001 and 2002 amounts are offsets for the Administration's retirement accrual proposal.<sup>2</sup> Includes provision for covered Federal civilian employees and military personnel.<sup>3</sup> Includes both Federal funds and trust funds.<sup>4</sup> Consists of:

## MEMORANDUM

Composition of proprietary receipts from the public

	2001 Actual	Estimate					
		2002	2003	2004	2005	2006	2007
On-budget:							
Federal funds .....	39,952	33,366	36,428	40,180	40,076	41,639	42,775
Trust funds .....	35,190	37,489	39,646	41,423	43,618	45,972	48,427
Off-budget .....	83	79	81	84	86	88	91